



PSC NEWS

Missouri Public Service Commission

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NATURAL GAS RATES FOR AQUILA CUSTOMERS TO DROP UNDER AGREEMENT REACHED IN PRUDENCY CASE

Jefferson City (March 18, 2003)---The Missouri Public Service Commission has approved an agreement which will reduce the natural gas rates of Southern System, Northern System and Eastern System customers of Aquila, Incorporated d/b/a Aquila Networks-MPS (Aquila). This reduction reflects a prudency review conducted on the Company covering the 1999-2000 and 2000-2001 heating seasons. Natural gas revenues will be reduced by approximately \$433,180 in Aquila's Southern System, by approximately \$113,670 in its Eastern System, and by approximately \$28,200 in its Northern System.

The agreement approved by the Commission was submitted by the Staff of the Missouri Public Service Commission, the Office of the Public Counsel and Aquila. The agreement was reached as a result of extensive negotiations conducted by the above parties.

The agreement is the end result of a prudency review conducted by the Staff of the Missouri Public Service Commission on Aquila's gas purchasing practices.

In this case, the PSC Staff alleged that in Aquila's Eastern System, the company did not effectively manage its supply portfolio because no fixed priced gas was purchased for the Eastern System, no storage contracts were in place for the Eastern System as a hedge, and no other hedged volumes were specifically in place for the Eastern System. This, the PSC Staff alleged, resulted in customers on Aquila's Eastern System being totally exposed to price risks during the 2000-2001 heating season.

Regarding Aquila's Southern System, the PSC Staff alleged that Aquila had failed to develop and follow a reasonable plan for using flowing gas and storage withdrawals for the winter months of November 2000 through March 2001.

As a result of the agreement, a typical residential natural gas customer in Aquila's Eastern System will see natural gas rates drop by approximately \$26.43 a year. A reduction of approximately \$13.54 a year will occur for a typical residential customer in the Southern System of Aquila. For the typical residential customer in the Northern System, natural gas rates will fall by approximately \$2.52 a year under the terms of the agreement.

An important function of the Missouri Public Service Commission is a thorough review, at the end of a 12-month period, of the purchasing practices of the local natural gas company (in this case Aquila). This is often called a prudency review, which is conducted on all natural gas companies under PSC jurisdiction. Many factors are looked at including: 1) Did the Company purchase gas supplies for their customers prudently; and 2) Did the Company make reasonable decisions given the facts and circumstances that existed at the time purchase decisions were made.

The Missouri Public Service Commission does not regulate wholesale supplier rates which are the rates the local natural gas company must pay to its suppliers for natural gas.

Aquila, Inc. d/b/a Aquila Networks-MPS serves approximately 32,000 natural gas customers in its Southern System (Pettis, Platte, Cooper, Ray, Henry, Saline, Johnson, Vernon and Lafayette), approximately 11,200 natural gas customers in its Northern System (Livingston, Grundy, Chariton, Howard and Linn) and approximately 4,300 natural gas customers in its Eastern System (Phelps County).

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